

Background Information on Utah's Property Tax System

Prepared for
the Revenue and Taxation Interim
Committee

September 19, 2007

Prepared by the Office of Legislative
Research and General Counsel



Overview of Utah's Property Tax

Utah State Constitution and Statutory Provisions

Utah Constitution Article XIII, Section 2 states that "all tangible property in the State that is not exempt under the laws of the United States or under this Constitution shall be: (a) assessed at a uniform and equal rate in proportion to its fair market value, to be ascertained as provided by law; and (b) taxed at a uniform and equal rate."¹

The Property Tax Act codifies this constitutional mandate in Utah Code Ann. § 59-2-103, which states, "[a]ll tangible taxable property located within the state shall be assessed and taxed at a uniform and equal rate on the basis of its fair market value. . . ." ² "The hallmarks of these constitutional and statutory directives are the notions of uniformity, equality, and a universal measure of valuation -- fair market value."³

Utah Code Ann. § 59-2-102 defines the term fair market value to mean "the amount at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts."⁴ A primary factor in determining the fair market value of real property assessed by county assessors, such as residences and farmland, is recent comparable sales.⁵

The Utah Supreme Court has stated that a "critical factor is establishing assessments that represent reasonably accurate approximations of value is time. . . . An ad valorem tax system must, therefore, be based on periodic reassessments that take into consideration the fluctuating factors that affect value. To freeze the value of some properties at a given point in time, and not others, must necessarily result in nonuniform assessments."⁶

¹ Utah Const. art. XIII, Sec. 2(1)(a).

² Utah Code Ann. § 59-2-103(1) (2007).

³ *Mountain Ranch Estates v. Utah State Tax Comm'n*, 100 P.3d 1206, 1209 (Utah 2004).

⁴ Utah Code Ann. § 59-2-102(12) (2007).

⁵ "County assessed properties, such as residences and farmland, are assessed on the basis of cost or comparable sales..." *Rio Algom Corp. v. San Juan County*, 681 P.2d 184, 189 (Utah 1984). See also, *A. Tom Nelson v. Board of Equalization of Salt Lake County*, 943 P.2d 1354 (Utah 1997) (the court upheld the Salt Lake County Assessor's appraisal based on comparable sales).

⁶ *Rio Algom Corp.*, 681 P.2d at 195.

Exemptions and Abatements

The Utah Constitution allows the Legislature to exempt only certain property from taxation. The Utah Supreme Court presumes that "all exemptions intended to be granted were granted in express terms" in the Constitution.⁷ The Legislature may not indirectly exempt property from taxation. If the legislature attempts to do indirectly, by enactment, that which it cannot do directly, under the Constitution, its enactment is void.⁸

Utah Constitution Article XIII, Section 3 contains the property tax exemptions and abatements.

Property constitutionally exempt from the property tax includes:

- property of federal, state, or local governments;
- properties owned by a nonprofit entity used exclusively for religious, charitable, or educational purposes;
- places of burial;
- farm equipment and farm machinery;
- libraries; and
- water rights, and certain other property associated with irrigation of agricultural land.⁹

Property that the Legislature may exempt from the property tax includes:

- household furnishings;
- up to 45% of the fair market value of residential property;
- inventories and property being held for shipment out of state;
- intangible property;
- property used to generate and deliver electrical power used to irrigate land; and
- personal property that, if taxed, would generate an inconsequential amount of revenue.¹⁰

Under current statute, 45% of the fair market value of primary residential property is

⁷ *State ex. rel. Richards v. Armstrong*, 53 P. 981, 982 (Utah 1898).

⁸ *Id.* at 983.

⁹ Utah Const. art. XIII, Sec. 3(1).

¹⁰ Utah Const. art. XIII, Sec. 3(2).

exempt from taxation.¹¹ The Legislature defines in statute what is "primary" residential property.¹² Under certain circumstances, agricultural land is not assessed at its fair market value, but at its value for agricultural purposes.¹³ Certain property, such as cars and light trucks, is assessed using a fee schedule based on age.¹⁴

Property Tax Abatements and Deferrals

In addition to the exemptions listed above, the property taxes of certain individuals may be abated. Some of these abatements are described below. Current Utah statutes allow abatements for the property of low income persons, blind persons, and disabled veterans or their widows or minor orphans.¹⁵

Circuit Breaker Program -- The circuit breaker program provides credits to reduce the general tax burden of eligible homeowners and renters over a certain age.¹⁶ Eligibility and the amount of relief granted is determined on the basis of household income.¹⁷ For 2007, an applicant must be at least 65 years old with a 2006 income not to exceed \$26,941.

Property Tax Abatements or Deferrals -- Property tax abatements or deferrals are allowed at the discretion of the county legislative body.¹⁸ Age and income requirements may apply.

- **Abatements** -- The abatement may be up to 50% of the property tax due on a

¹¹ Utah Code Ann. § 59-2-103 (2007) and Utah Const. art. XIII, Sec. 3(2)(iv).

¹² Utah Code Ann. § 59-2-102(31) and § 59-2-103 (2007).

¹³ Utah Const. art. XIII, Sec. 2(3).

¹⁴ Utah Const. art. XIII, Sec. 2(6).

¹⁵ Utah Const. art. XIII, Sec. 3(2) and (3).

¹⁶ The claimant must be at least 65-67 years old, depending on the year in which the claimant was born.

¹⁷ See Utah Code Ann. §§ 59-2-1208 - 1209 (2007). The credit amount allowed for a homeowner may be between \$98 and \$798.

¹⁸ See Utah Code Ann §§ 59-2-1107 to 1109 (2007). For 2007, an applicant for an abatement or deferral must be at least 65 years old with a 2006 income not to exceed \$26,941. Abatements and deferrals are also available to people less than 65 years old where the applicant can demonstrate a disability or extreme hardship.

- person's home, to a maximum of \$798.¹⁹
Deferrals -- The county may defer any or all property taxes until a person's property is sold or ownership changes. Interest accrues annually on the deferred amount of taxes at a rate equal to the lesser of 6% or the targeted federal funds rate.²⁰

Veteran's Exemption -- The veteran's exemption is available to veterans disabled in military service, and their unmarried surviving spouse or minor orphans. It is also available to the unmarried surviving spouse or minor orphan of a member of the military who was killed in action or died in the line of duty. The exemption is up to \$214,263 of the taxable value of a residence, based on the percentage of disability incurred in the line of duty. The veteran's exemption may also be applied toward the payment of personal property taxes or uniform fees on items such as a car.²¹

Blind Exemption -- The blind exemption is available to all legally blind property owners, and their unmarried surviving spouse or minor orphans, regardless of income or age. It exempts up to \$11,500 of the taxable value of real or personal property.²²

¹⁹ Utah Code Ann. § 59-2-1107 (2007).

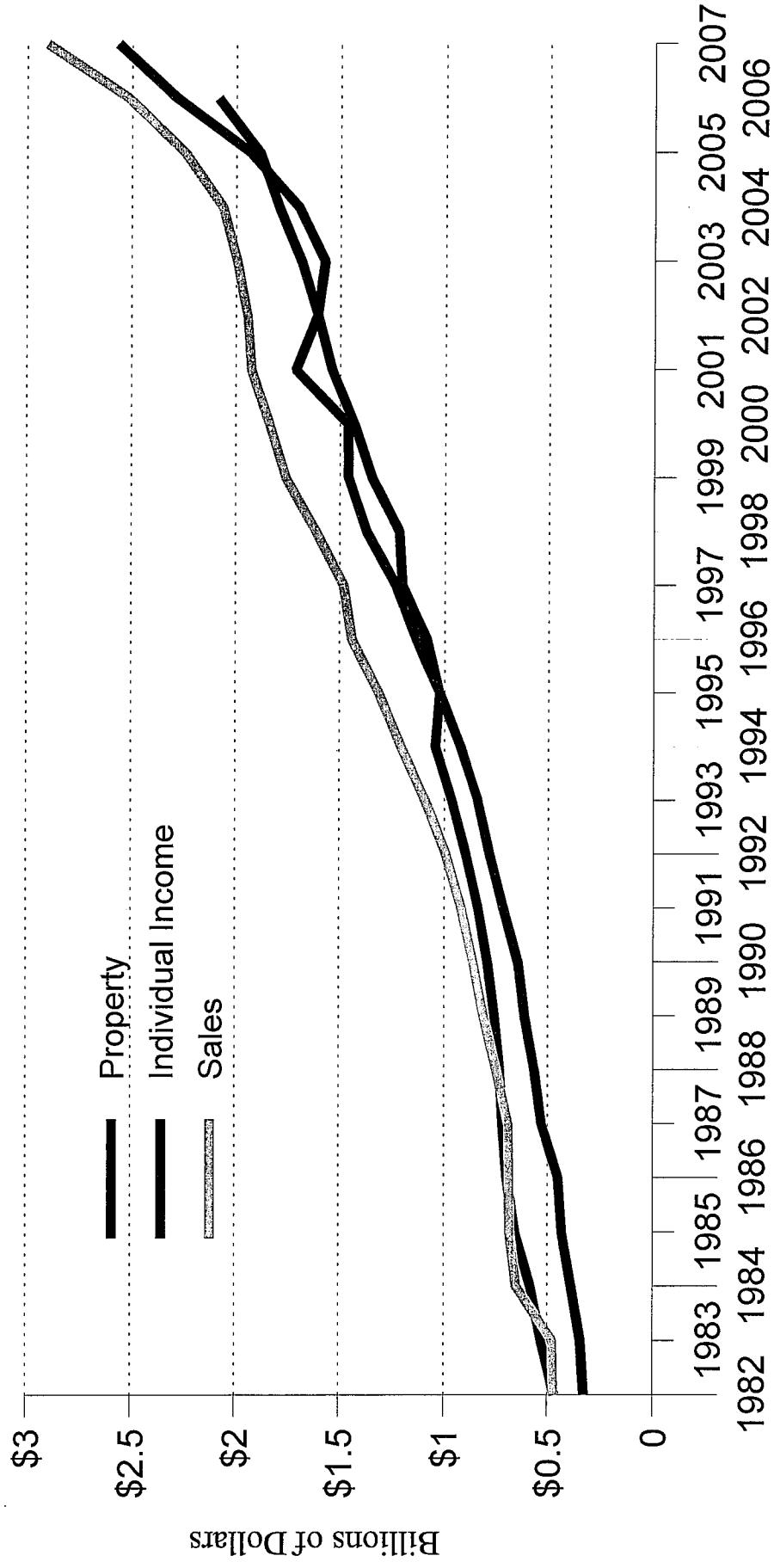
²⁰ Utah Code Ann. § 59-2-1108 (2007).

²¹ See Utah Code. Ann §§ 59-2-1104 and 1105 (2007).

²² See Utah Code. Ann § 59-2-1106 (2007).

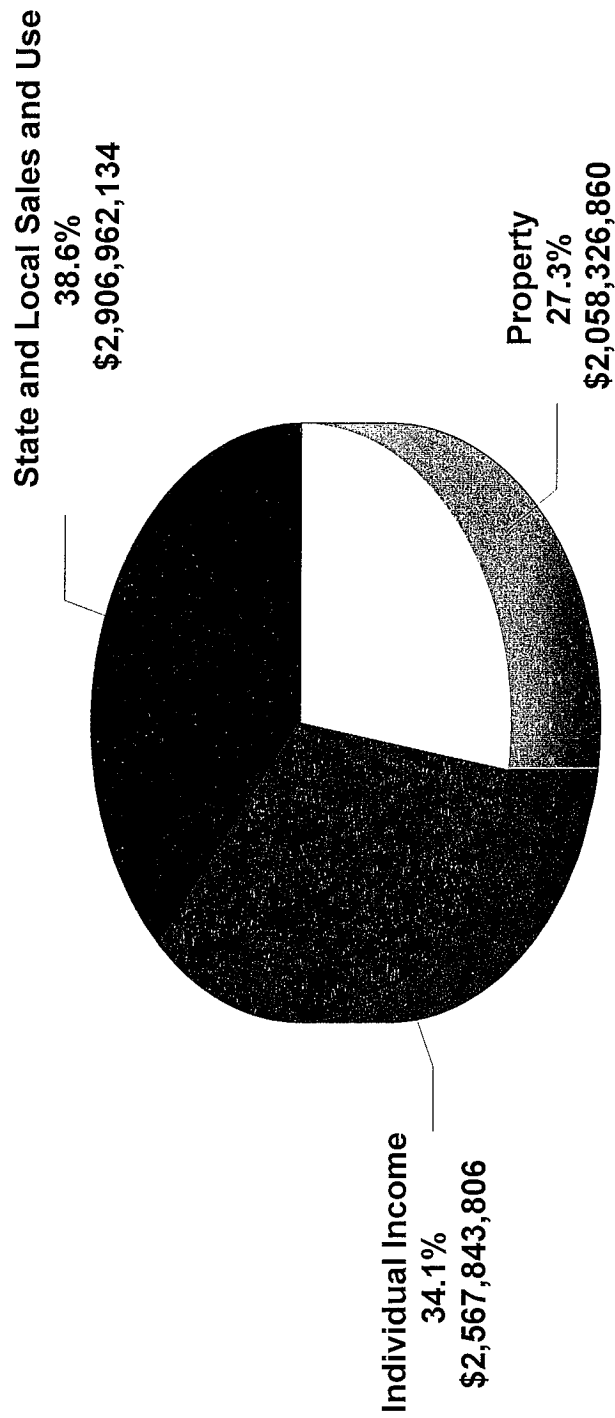
State and Local Sales and Use, Individual Income, and Property Taxes Revenues

FY 1982 to FY 2007 (Preliminary)



Source: Utah State Tax Commission, Property Tax Division and Economic and Statistical Unit.

Utah's Three Major State and Local Taxes: Individual Income, Property, and State and Local Sales and Use Fiscal Year 2007 (Preliminary)



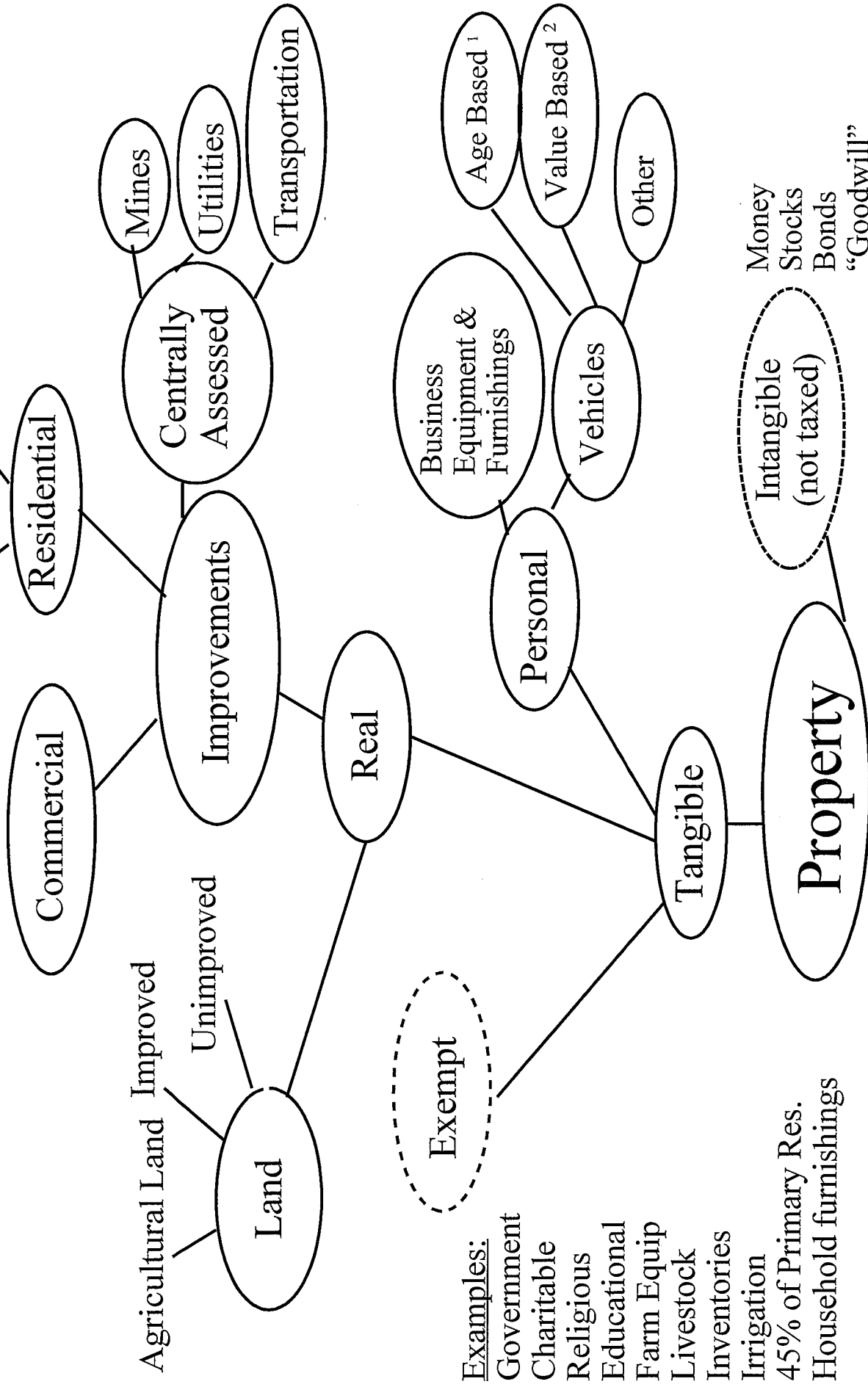
Total Revenue: \$7.533 Billion

Property tax is for 2006 tax year.

Source: Utah State Tax Commission, Property Tax Division and Economic and Statistical Unit.

The Property Tax "Tree"

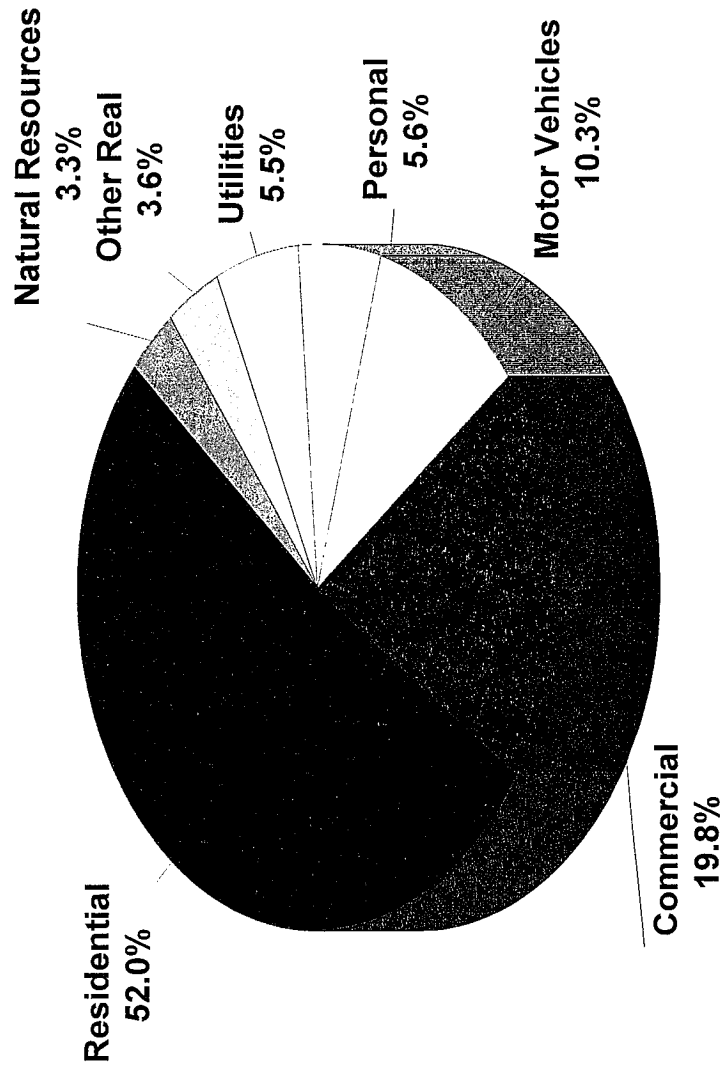
What is and is not taxed?



Property Taxes

Where Does the Money Come From?

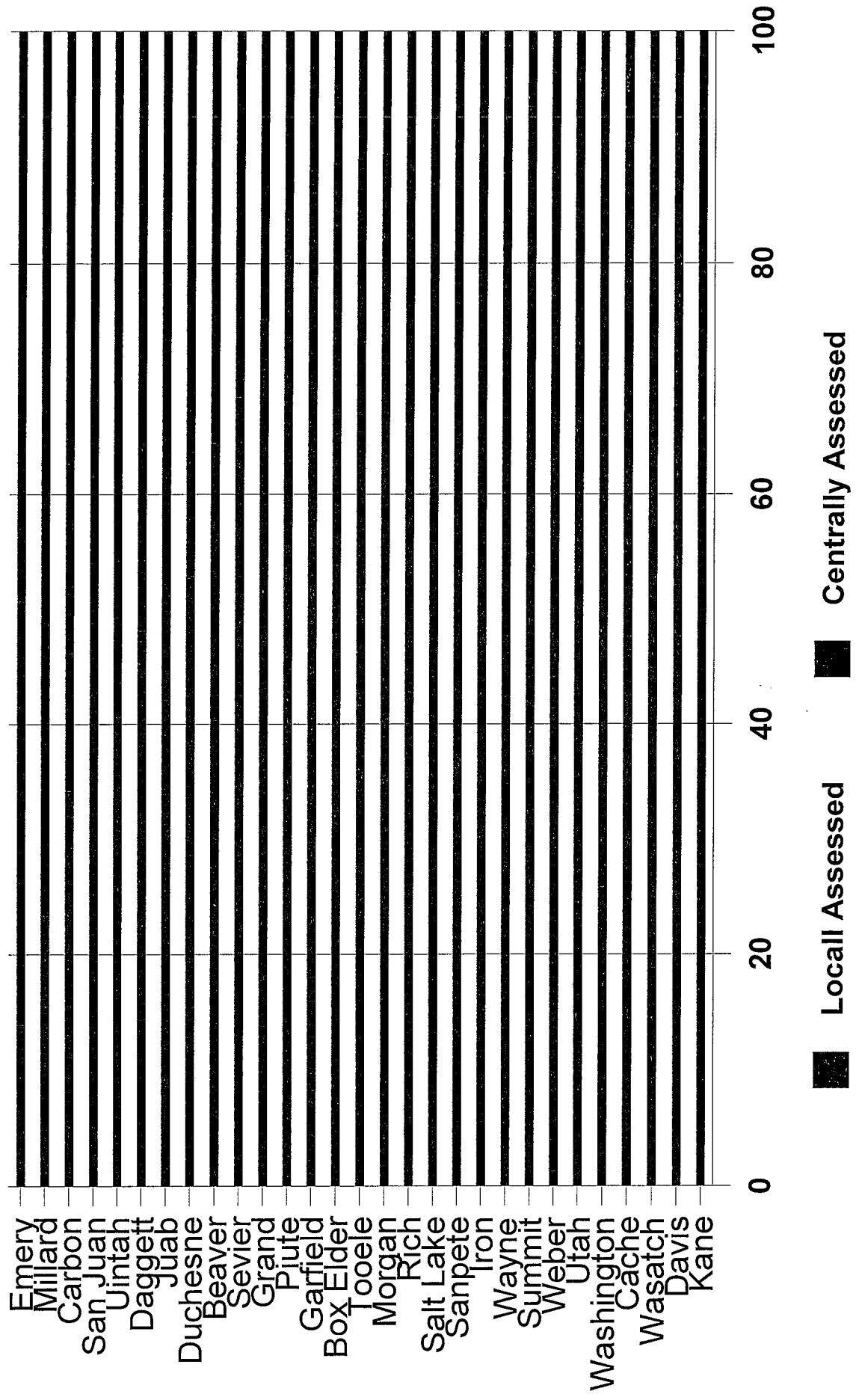
2006 Tax Year



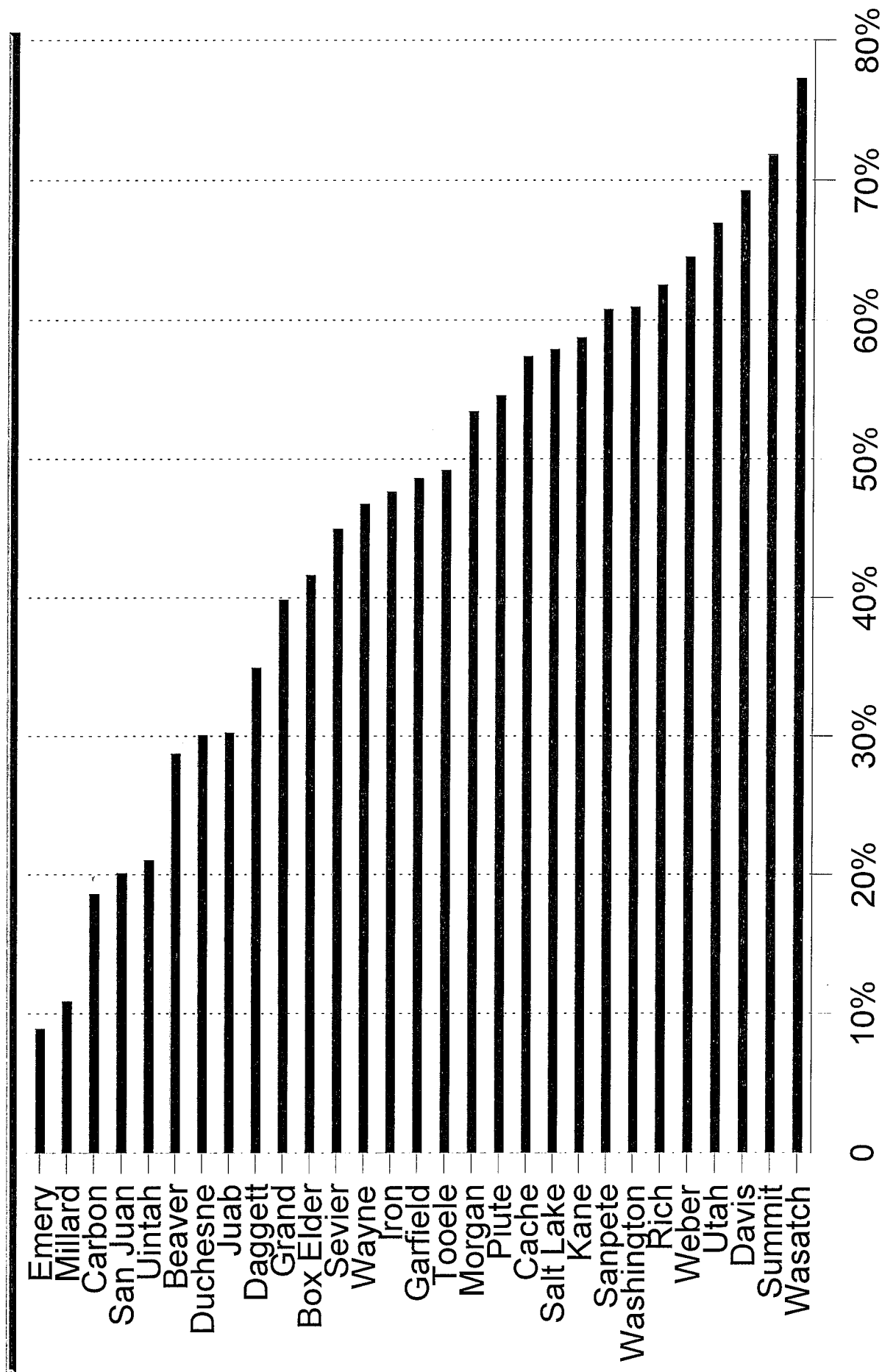
Total Property Taxes Charged: \$2,058,326,860

Source: Utah State Tax Commission, Property Tax Division

Portion of Property Tax Base That Is Centrally Assessed vs. Locally Assessed by County 2006 Tax Year



Portion of Property Tax Base That is Residential Property by County – 2006 Tax Year



State of Utah: Effective Property Tax Rate by Tax Year

1995 to 2006 Tax Years

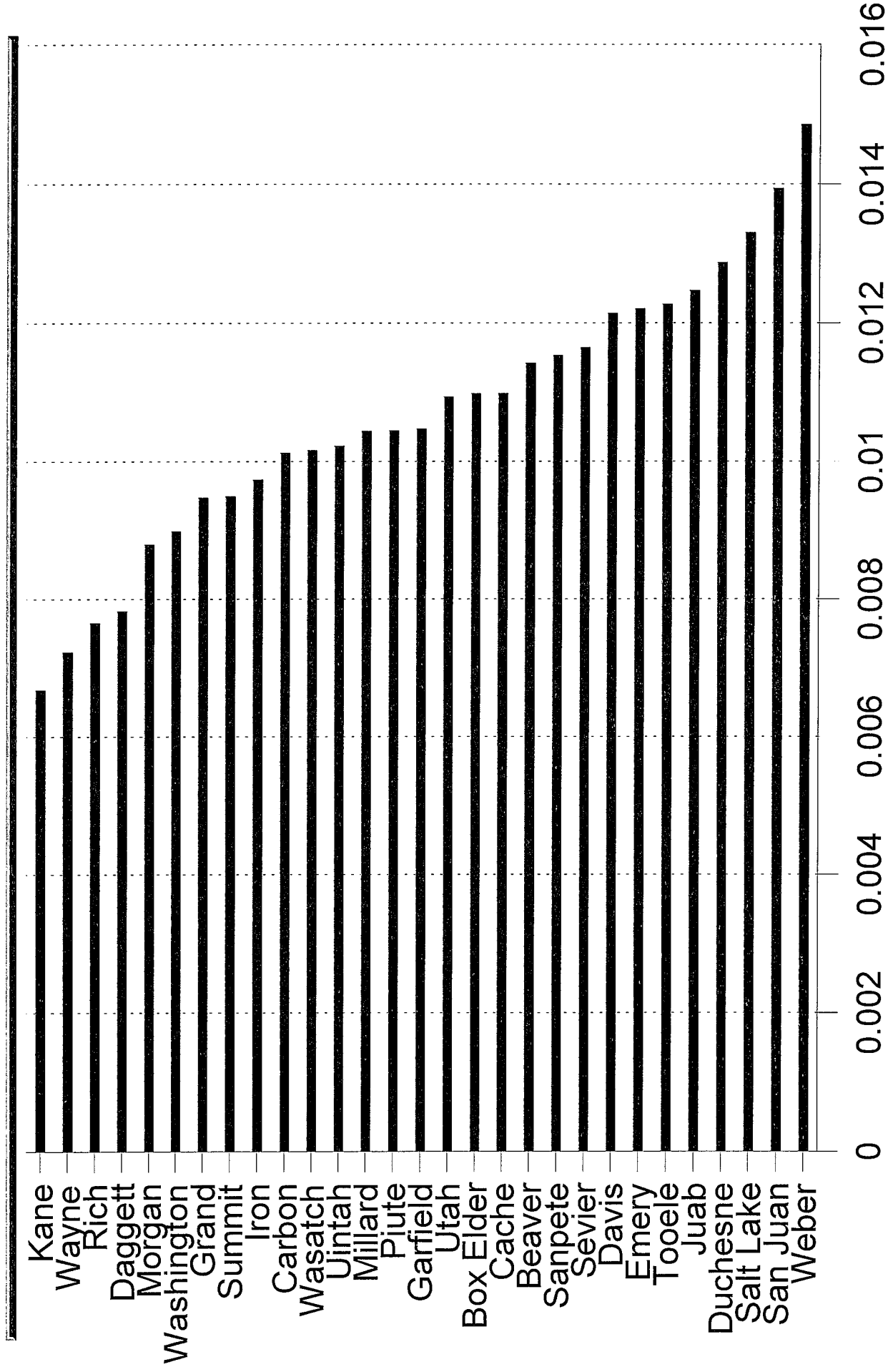
Class of Property	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	Average
Primary Residential	0.67	0.73	0.74	0.72	0.71	0.71	0.71	0.71	0.67	0.70	0.72	0.77	0.71
Commercial	1.25	1.34	1.36	1.34	1.30	1.31	1.30	1.32	1.24	1.30	1.32	1.43	1.32
Other Real	1.01	1.12	1.16	1.11	1.10	1.10	1.11	1.11	1.05	1.15	1.13	1.22	1.12
Personal	1.3	1.31	1.29	1.26	1.25	1.24	1.24	1.26	1.19	1.23	1.26	1.35	1.25
Fee-in-Lieu	1.5	1.5	1.5	1.5	1.50	1.50	1.50	1.50	1.50	1.70	1.70	1.70	1.57
Natural Resource	1.09	1.16	1.16	1.16	1.14	1.17	1.09	1.17	1.07	1.16	1.19	1.28	1.16
Utilities	1.17	1.23	1.24	1.23	1.23	1.21	1.22	1.19	1.11	1.16	1.14	1.20	1.18
Statewide Effective Property Tax Rate	0.88	0.95	0.97	0.96	0.94	0.94	0.94	0.94	0.90	0.96	0.97	1.04	0.95

Prepared by the Office of Legislative Research and General Counsel

Basic Data: Utah State Tax Commission, Property Tax Division

September 17, 2007

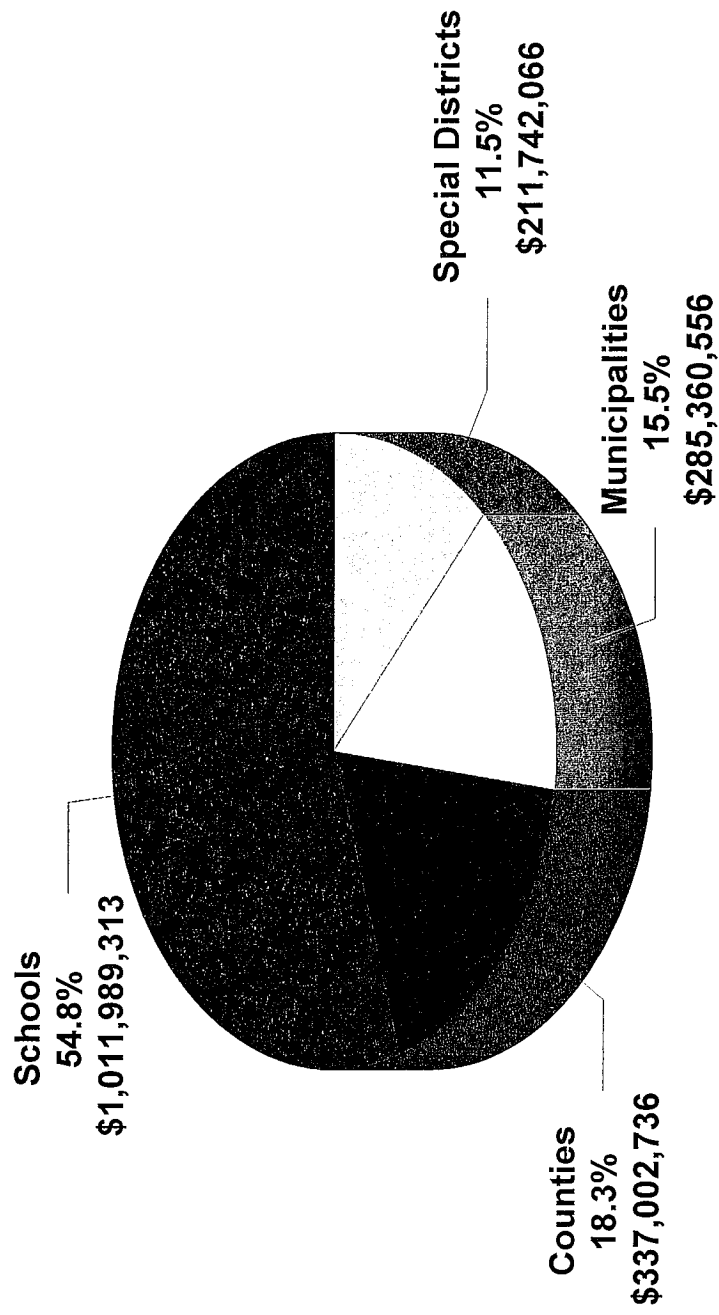
Average Property Tax Rate by County 2006 Tax Year



source: Utah State Tax Commission, Property Tax Division

Property Taxes Where Does the Money Go?

2006 Tax Year

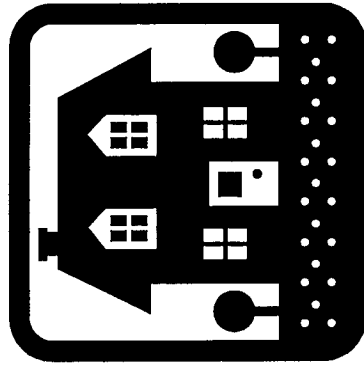


Source: Utah State Tax Commission, Property Tax Division

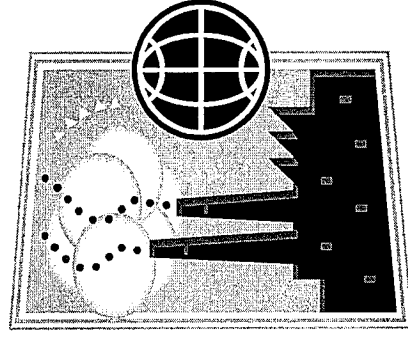
Calculating the Certified Rate in a Hypothetical Taxing Entity

Year 1

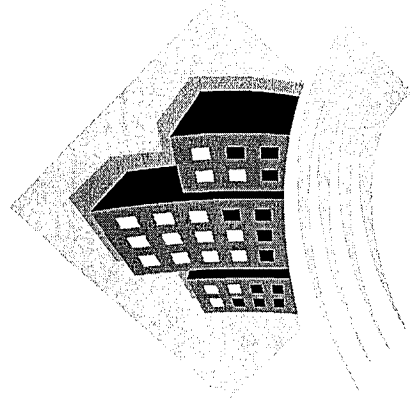
Home



Factory



Office Building



Taxable

Value: \$100,000

\$500,000

\$1,000,000

Certified Rate = Last Year's Budgeted Property Tax Revenue/This Year's Taxable Value

\$10,000

= 0.006250

\$1,600,000

Tax: \$625

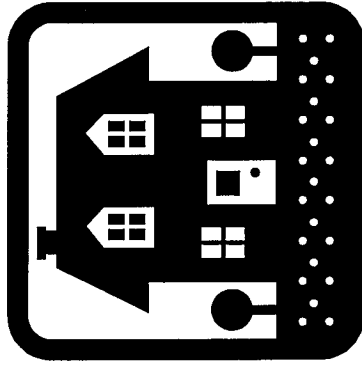
\$3,125

\$6,250

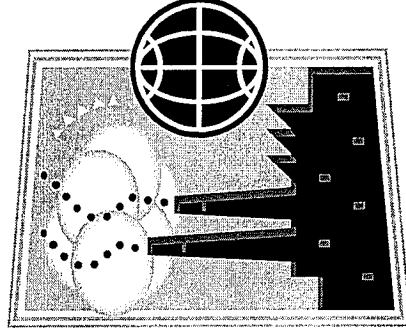
Calculating the Certified Rate in a Hypothetical Taxing Entity

Year 2

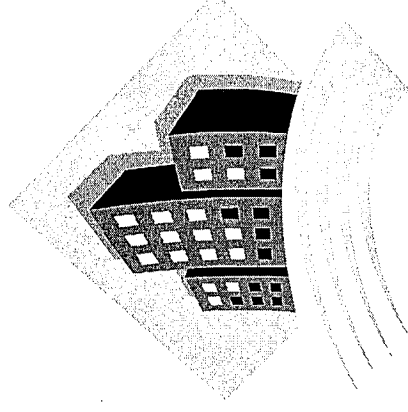
Home



Factory



Office Building



Taxable

Value: \$90,000

\$500,000

\$1,000,000

Certified Rate = Last Year's Budgeted Property Tax Revenue/This Year's Taxable Value

\$10,000

= 0.006289

\$1,590,000

Tax This Year: \$566

Tax Last Year: \$625

Difference: (\$59)

\$3,144

\$3,125

\$19

\$6,289

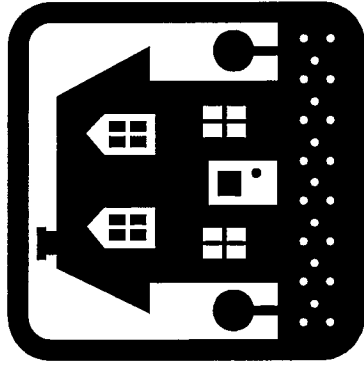
\$6,250

\$39

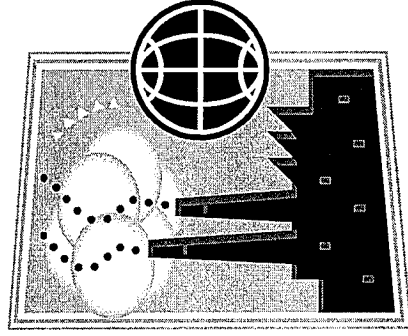
Calculating the Certified Rate in a Hypothetical Taxing Entity

Year 3

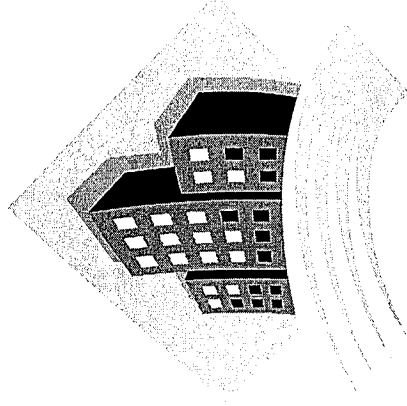
Home



Factory



Office Building



Taxable

Value: \$90,000

\$500,000

\$900,000

Certified Rate = Last Year's Budgeted Property Tax Revenue/This Year's Taxable Value

$$\frac{\$10,000}{\$1,490,000} = 0.006711$$

Tax This Year: \$603
Tax Last Year: \$566
Difference: \$37

\$3,355
\$3,144
\$211

\$6,039
\$6,289
(\$250)

Understanding “Truth in Taxation” and Calculating the Certified Property Tax Rate

Utah Legislature
Revenue and Taxation Interim Committee
September 19, 2007

Prepared by the Office of Legislative Research and General Counsel

Truth in taxation holds revenues constant
(no new growth)

Budgeted Ad Valorem Revenue \updownarrow Valuations $\ast \downarrow$ Rate

Budgeted Ad Valorem Revenue \updownarrow Valuations $\ast \uparrow$ Rate

Taxing entity received no new revenue despite changes in
property valuations.

New growth increases budgeted ad valorem revenue (without truth in taxation hearing)

Revenue (this year) = Revenue (last year) + Revenue (new growth)

There are different property tax rates at different points in the process:

- Certified rate: the property tax rate that will provide the same ad valorem property tax revenues as were budgeted in the prior year.
 - Is the “proposed rate” higher than the “certified rate”? If so, must advertise its budget hearing.
 - Proposed rate: the property tax rate that a taxing entities proposes to impose in its budget setting process.
 - Approved rate: the property tax rate ultimately adopted by the taxing entity and imposed on taxable property.
-

Calculating the Adjusted Property Tax Base:

Step 1 =Aggregate taxable value of all property tax minus RDA adjustments.

Step 2 =RDA adjusted value * Average Percentage net change in value of taxable property due to BOE adjustments during the prior three years.

Step 3 =Multiply the amount determined in Step Two by the property tax collection rate for the prior 5 years.

Step 4 =Subtract "new growth" from the amount determined in Step 3.

Equals = Adjusted property tax base

Number of Taxing Entities Proposing to Impose a Property Tax Rate That Exceeds Its Certified Rate

1988 to 2007

Year	Municipalities	Counties	Special Districts	School Districts	Total	TNT Hearing Changes	Increases After Hearing	Total Number Of Entities	Taxing Entities Proposing Increases as % of Total
1988	7	4	11	4	26	5	26	534	4.87%
1989	7	2	12	16	37	4	37	539	6.86%
1990	33	5	11	17	66	6	66	541	12.20%
1991	16	6	13	21	56	9	56	542	10.33%
1992	14	10	15	17	56	0	56	544	10.29%
1993	10	5	14	23	52	0	52	549	9.47%
1994	14	4	13	13	44	9	44	554	7.94%
1995 **	0	0	3	8	11	0	11	555	1.98%
1996 **	2	0	3	7	12	0	12	556	2.16%
1997	13	6	16	10	45	8	44	563	7.82%
1998 ***	11	0	10	5	26	3	23	570	4.04%
1999	12	4	16	19	51	2	49	576	8.51%
2000	14	4	13	14	45	9	44	644	6.83%
2001	16	11	21	14	62	9	52	631	8.24%
2002	18	5	18	12	53	8	48	636	7.55%
2003	9	7	18	14	48	4	47	644	7.30%
2004	17	4	14	22	57	6	53	653	8.12%
2005	15	6	15	15	51	6	48	663	7.24%
2006	35	4	25	17	81	11	77	662	11.63%
2007	27	5	17	20	69				

** Election required for tax increase

*** Election required for some entities -

Prepared by Property Tax Division, Utah State Tax Commission, 1988 to 2006
Prepared by Office of Legislative Research and General Counsel, 2007

**2007 Tax Year
State of Utah
Taxing Entities Proposing to Impose a Property Tax Rate That Exceeds Its Certified Rate**

ENTITY NAME	TYPE	Judgment Levy Rate	ENTITY Certified Rate	ENTITY Proposed Rate	Amount that Proposed Rate is Above Certified Rate	Pct. Amount That Proposed Rate is Above Certified Rate
Beaver School District	Rate		0.006622	0.006919	0.000297	4.49%
Cache Mosquito Abatement	Rate		0.000061	0.000079	0.000018	29.51%
Lewiston	Rate		0.001898	0.002115	0.000217	11.43%
North Logan	Rate		0.001586	0.001679	0.000093	5.86%
Logan City School	Rate		0.006733	0.007304	0.000571	8.48%
Cache County School	Rate		0.005931	0.006260	0.000329	5.55%
Hyde Park	Rate		0.001010	0.001100	0.000090	8.91%
Logan City	Rate		0.002109	0.002220	0.000111	5.26%
Daggett County School	Rate		0.003781	0.004091	0.000310	8.20%
Davis County	Rate		0.001654	0.002189	0.000535	32.35%
Davis County Mosquito	Rate		0.000080	0.000099	0.000019	23.75%
Davis School District	Rate		0.006879	0.007187	0.000308	4.48%
Sunset	Rate		0.001016	0.001209	0.000193	19.00%
Syracuse	Rate		0.001009	0.001500	0.000491	48.66%
Weber Basin Water Conservancy Dist.	Rate		0.000158	0.000200	0.000042	26.58%
North Davis Fire District	Rate		0.001231	0.001400	0.000169	13.73%
Duchesne School District	Rate		0.007318	0.007678	0.000360	4.92%
Emery County	Rate		0.004335	0.004412	0.000077	1.78%
Emery School District		0.000017	0.005450	0.005467	0.000017	0.31%
Kanarraville	Rate		0.000430	0.002000	0.001570	365.12%
Millard Mosquito Abatement	Rate		0.000181	0.000400	0.000219	120.99%
Kane County	Rate		0.001486	0.002615	0.001129	75.98%
Kane School District	Rate		0.003337	0.003484	0.000147	4.41%
Millard County School	Rate		0.005104	0.005792	0.000688	13.48%
Morgan County School	Rate		0.005101	0.005257	0.000156	3.06%
Garden City	Rate		0.000235	0.001043	0.000808	343.83%
Laketown Fire	Rate		0.000152	0.000200	0.000048	31.58%
Cottonwood Heights Special District	Rate		0.000829	0.000925	0.000096	11.58%
Emigration Improvement Dist			0.000691	0.000800	0.000109	15.77%
South Jordan	Rate		0.001517	0.001708	0.000191	12.59%
Draper City	Rate		0.000873	0.001650	0.000777	89.00%
Jordan Valley Water	Rate		0.000296	0.000400	0.000104	35.14%
Midvalley Improvement	Rate		0.000000	0.000800	0.000800	-
Salt Lake Metro Water	Rate		0.000302	0.000351	0.000049	16.23%
Salt Lake City School District		0.000013	0.005071	0.005084	0.000013	0.26%
West Valley City		0.000002	0.003192	0.003194	0.000002	0.06%
South Sanpete School	Rate		0.007656	0.008304	0.000648	8.46%
Sevier County		0.000095	0.003270	0.003365	0.000095	2.91%
Sevier County School District	Rate		0.006135	0.006465	0.000330	5.38%
Park City School	Rate		0.004324	0.004560	0.000236	5.46%
North Summit School	Rate		0.005176	0.005283	0.000107	2.07%

ENTITY NAME	TYPE	Judgment Levy Rate	ENTITY Certified Rate	ENTITY Proposed Rate	Pct. Amount That Proposed Rate is Above	
					Amount that Proposed Rate is Above Certified Rate	Certified Rate
South Summit School	Rate		0.005550	0.006307	0.000757	13.64%
Tooele County			0.001126	0.001158	0.000032	2.84%
Uintah County School District	Rate		0.005539	0.006014	0.000475	8.58%
Wasatch County School	Rate		0.005660	0.006320	0.000660	11.66%
Enterprise	Rate		0.001321	0.001738	0.000417	31.57%
Santa Clara	Rate		0.001013	0.001449	0.000436	43.04%
Toquerville	Rate		0.000427	0.000845	0.000418	97.89%
Uintah Highlands	Rate		0.000319	0.000472	0.000153	47.96%
Hooper City	Rate		0.000336	0.000447	0.000111	33.04%
Riverdale City	Rate		0.001030	0.001470	0.000440	42.72%
Roy City	Rate		0.002178	0.002226	0.000048	2.20%
Uintah Highlands	Rate		0.000283	0.000800	0.000517	182.69%
Riverdale City	Rate		0.001030	0.001470	0.000440	42.72%
Monticello	Rate		0.002750	0.003025	0.000275	10.00%
North Sanpete School	Rate		0.005845	0.006260	0.000415	7.10%
Gunnison	Rate		0.001547	0.002548	0.001001	64.71%
Alpine School District	Rate		0.005895	0.006937	0.001042	17.68%
Provo School District	Rate		0.005160	0.005239	0.000079	1.53%
Nebo School District	Rate		0.007797	0.008150	0.000353	4.53%
Alpine City	Rate		0.000934	0.001051	0.000117	12.53%
Cedar Fort	Rate		0.000491	0.000954	0.000463	94.30%
Cedar Hills	Rate		0.002354	0.002616	0.000262	11.13%
Eagle Mountain	Rate		0.001163	0.001280	0.000117	10.06%
Highland	Rate		0.001223	0.001420	0.000197	16.11%
Woodland Hills	Rate		0.001336	0.002850	0.001514	113.32%

Prepared by the Office of Legislative Research and General Counsel. July 31, 2007
Basic Data: Utah State Tax Commission

Share of Total Property Taxes Charged by Taxing Entity State of Utah, 1981 to 2006 Tax Years

Tax Year	Counties	Percent Share		School Districts		Percent Share		Municipalities		Percent Share		Special Districts	Percent Share		Total Property Taxes Charged
		Share	Share	Share	Share	Share	Share	Share	Share	Share	Share		Share	Share	
1981	\$83,529,200	20		\$246,411,140	59		\$50,117,520	12		\$37,588,140	9				\$417,646,000
1982	94,279,200	20		273,409,680	58		56,567,520	12		47,139,600	10				471,396,000
1983	117,773,260	22		299,786,480	56		64,239,960	12		53,533,300	10				535,333,000
1984	128,987,320	22		328,331,360	56		70,356,720	12		58,630,600	10				586,306,000
1985	151,875,210	23		363,179,850	55		79,239,240	12		66,032,700	10				660,327,000
1986	161,450,110	23		386,076,350	55		84,234,840	12		70,195,700	10				701,957,000
1987	169,904,027	23		385,378,743	53		90,418,317	12		78,662,243	11				724,363,330
1988	174,710,777	24		391,447,028	53		89,902,876	12		79,909,064	11				735,969,745
1989	182,637,391	24		405,450,857	53		93,155,582	12		80,158,945	11				761,108,475
1990	187,341,395	24		425,102,611	53		99,376,720	13		83,319,725	10				795,140,451
1991	194,002,248	23		457,147,357	54		101,382,230	12		86,642,157	11				839,174,202
1992	191,366,518	23		445,261,516	54		99,316,031	12		82,289,030	11				818,233,095
1993	199,541,040	23		485,221,105	55		103,793,871	12		86,670,277	10				875,226,293
1994	213,740,543	23		524,518,979	55		112,572,911	12		90,701,725	10				941,534,157
1995	219,096,953	24		474,710,064	52		118,677,516	13		100,419,437	11				912,903,970
1996	243,972,600	25		478,618,689	50		131,632,916	14		103,566,484	11				957,790,690
1997	266,617,298	25		532,693,484	50		143,282,536	14		113,928,622	11				1,056,521,940
1998	227,888,003	21		568,131,620	53		158,948,008	15		120,434,267	11				1,075,401,899
1999	256,183,053	21		642,388,241	53		173,521,629	14		129,542,050	11				1,201,634,973
2000	256,825,743	20		696,382,950	54		195,988,822	15		134,772,780	10				1,283,970,295
2001	275,782,254	20		743,915,922	53		215,893,560	16		156,045,956	11				1,391,637,692
2002	279,650,155	19		776,526,949	54		225,117,374	16		160,841,599	11				1,442,136,077
2003	288,177,110	19		820,696,162	54		235,129,358	16		165,509,127	11				1,506,732,440
2004	302,566,050	19		882,148,248	55		247,669,606	15		174,724,666	11				1,607,108,570
2005	320,824,835	19		936,454,392	55		258,595,001	15		190,659,936	11				1,706,517,417
2006	337,002,736	18		1,011,989,313	55		285,360,556	15		211,742,066	11				1,846,094,670

Does not include revenue from a fee charged in lieu of a property tax.

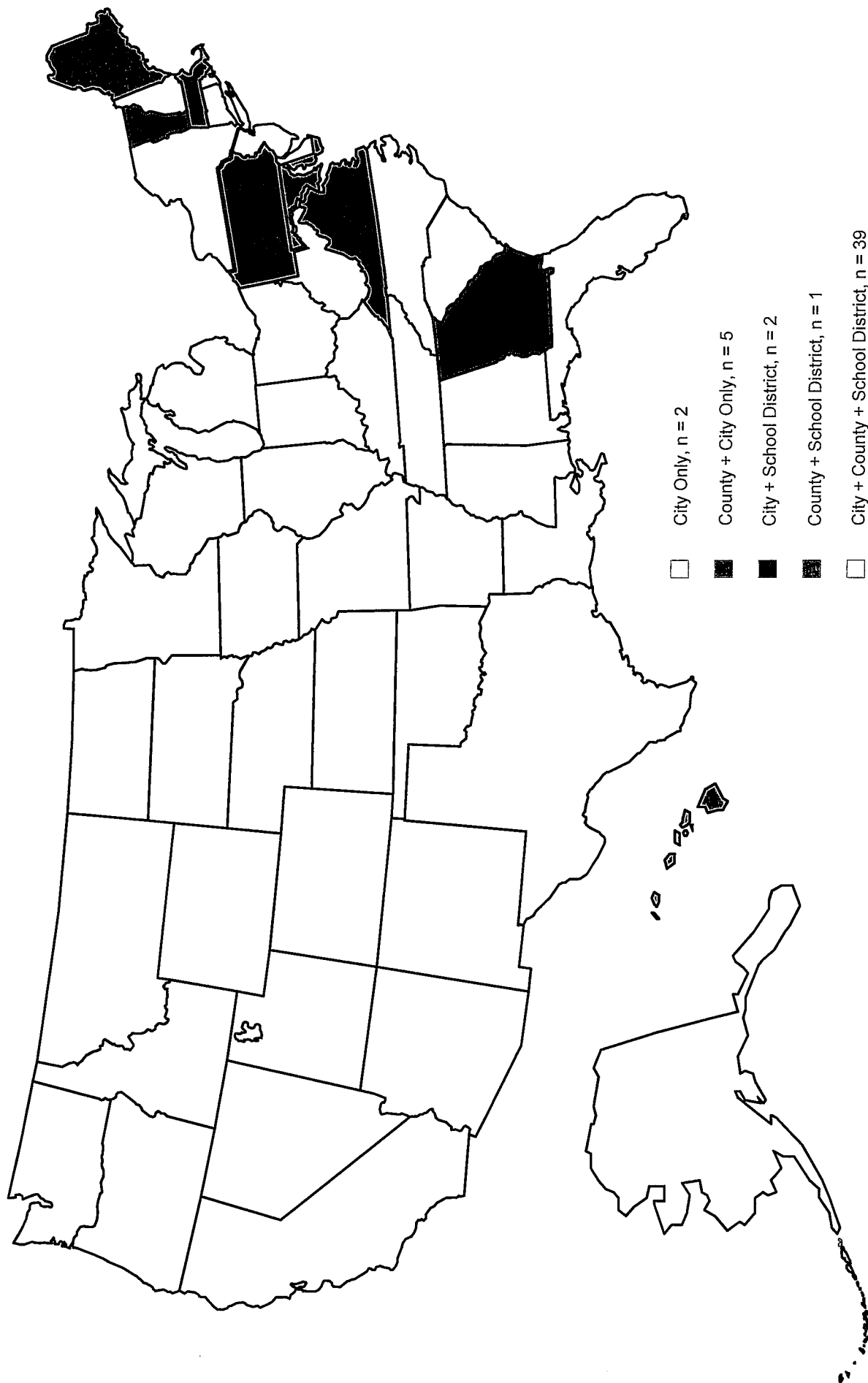
Beginning in the 1992 tax year, a uniform fee in lieu of a property tax was charged on certain types of motor vehicles. This explains the drop in revenues for that year.

In the 1995 tax year, the Legislature reduced the "minimum basic levy" for school districts and increased the residential exemption to 45 percent.

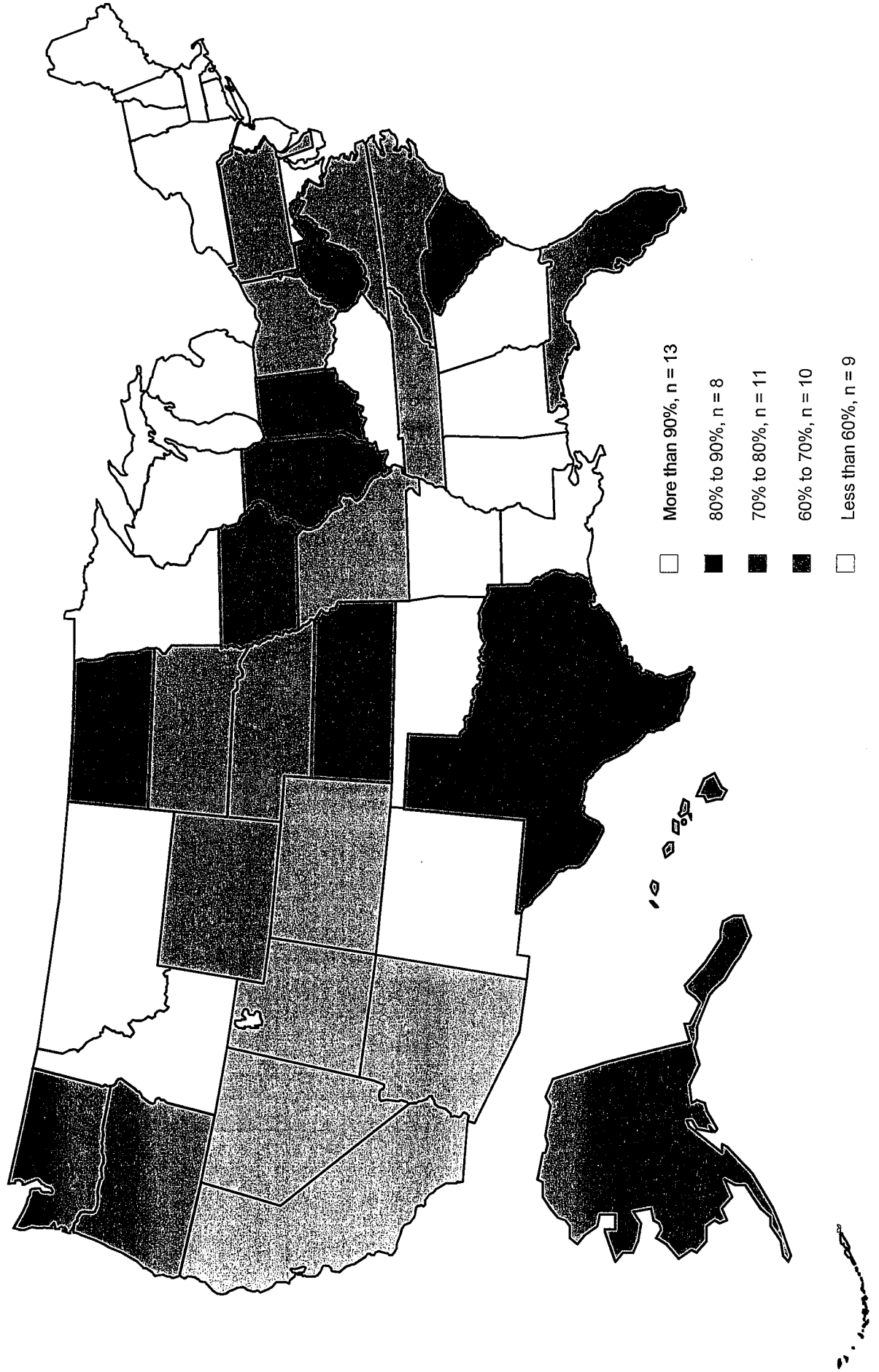
Prepared by the Office of Legislative Research and General Counsel, September 17, 2007

Basic Data: Utah State Tax Commission and Utah Foundation

Major Units of Local Government Receiving Property Tax Revenue

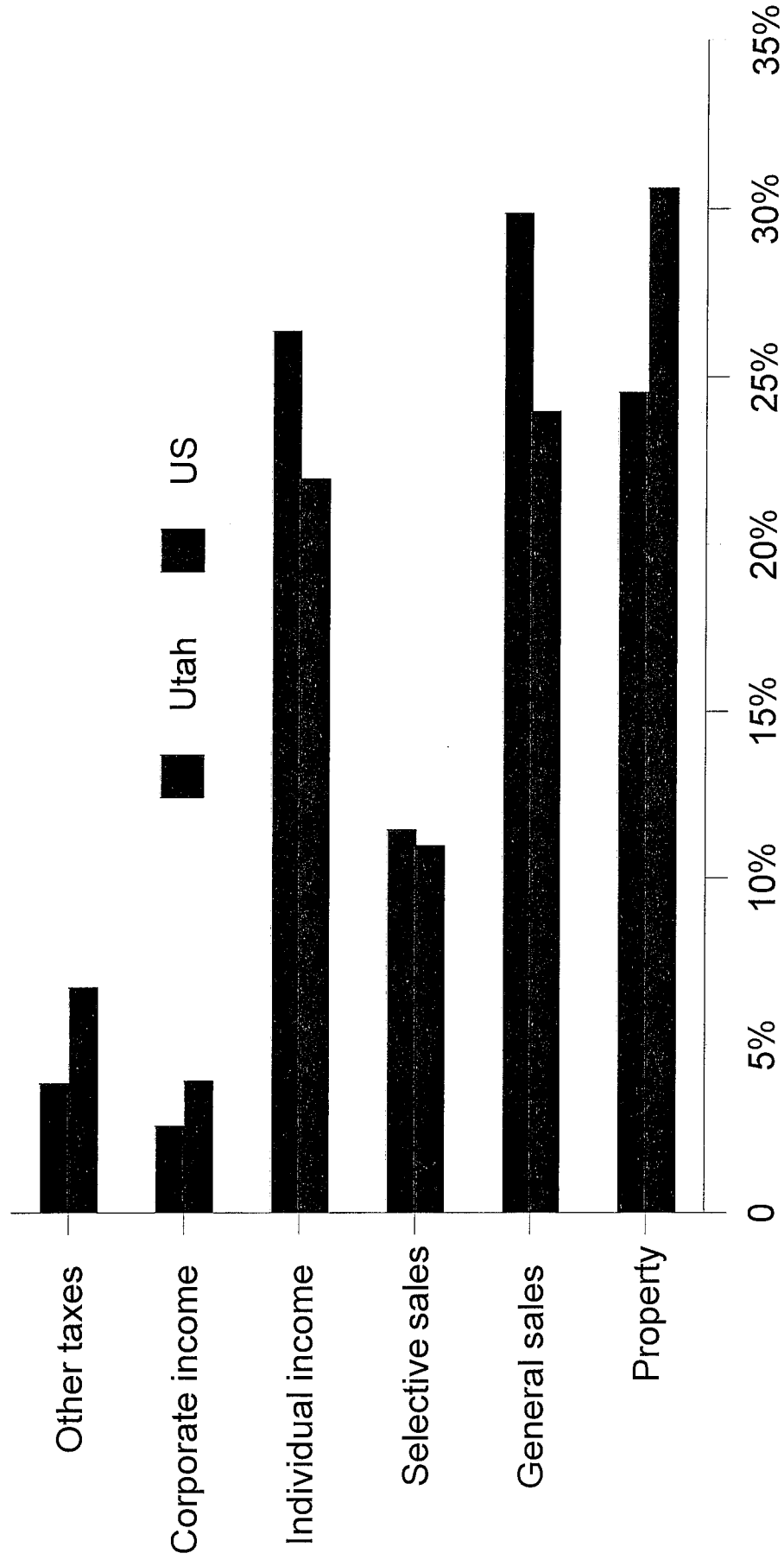


Local Property Taxes as a Percent of Total Local Taxes FY 2005



Comparison of Shares of Major State and Local Taxes

Utah vs. United States, FY 2005



Source: United States Department of Commerce, Bureau of the Census

**Comparative Property Tax Effective Tax Rates and National Rank
For Selected Value and Types of Property:
Salt Lake City and Richfield, Utah**

**2006, 2005, 2004, 2002, 2000, 1998, 1995 Payable Years
Homestead, Commercial, and Industrial Property**

Name of City/Type of Property	2006	2005	2004	2002	2000	1998	1995
Salt Lake City							
\$150,000 Home							
<i>Effective Tax Rate</i>	0.745%	0.798%	0.858%	0.593%	0.721%	0.739%	0.531%
<i>National Rank</i>	44	46	47	44	39	41	49
\$300,000 Home							
<i>Effective Tax Rate</i>	0.745%	0.798%	0.858%	-	-	-	-
<i>National Rank</i>	45	46	47	-	-	-	-
Median Value Home							
<i>Effective Tax Rate</i>	0.745%	0.798%	0.858%	0.791%	0.721%	0.985%	-
<i>National Rank</i>	45	47	45	44	39	40	-
\$100,000 Commercial Property							
<i>Effective Tax Rate</i>	1.312%	1.492%	1.573%	1.400%	1.424%	1.395%	1.487%
<i>National Rank</i>	39	34	36	38	39	38	37
\$1,000,000 Commercial Property							
<i>Effective Tax Rate</i>	1.312%	1.492%	1.573%	1.400%	1.424%	1.396%	1.487%
<i>National Rank</i>	40	35	37	39	39	39	39

**Comparative Property Tax Effective Tax Rates and National Rank
For Selected Value and Types of Property:
Salt Lake City and Richfield, Utah**

**2006, 2005, 2004, 2002, 2000, 1998, 1995 Payable Years
Homestead, Commercial, and Industrial Property**

Name of City/Type of Property	2006	2005	2004	2002	2000	1998	1995
\$100,000 Industrial Property							
Effective Tax Rate	1.312%	1.194%	1.262%	1.127%	1.140%	1.130%	1.220%
National Rank	39	36	36	40	39	39	39
\$1,000,000 Industrial Property							
Effective Tax Rate	1.312%	1.194%	1.262%	1.127%	1.140%	1.130%	1.220%
National Rank	40	37	37	41	39	39	39

Richfield *

\$70,000 Home							
Effective Tax Rate	0.663%	0.701%	0.713%	0.644%	0.612%	-	0.640%
National Rank	40	40	39	37	39	-	41
\$150,000 Home							
Effective Tax Rate	0.663%	0.701%	0.713%	0.552%	0.726%	-	0.536%
National Rank	43	41	40	37	34	-	43
\$300,000 Home							
Effective Tax Rate	0.663%	0.701%	0.713%	-	-	-	-
National Rank	43	42	42	-	-	-	-

**Comparative Property Tax Effective Tax Rates and National Rank
For Selected Value and Types of Property:
Salt Lake City and Richfield, Utah**

**2006, 2005, 2004, 2002, 2000, 1998, 1995 Payable Years
Homestead, Commercial, and Industrial Property**

Name of City/Type of Property	2006	2005	2004	2002	2000	1998	1995
\$100,000 Commercial Property							
<i>Effective Tax Rate</i>	1.288%	1.328%	1.385%	1.397%	1.293%	-	1.369%
<i>National Rank</i>	31	32	30	32	32	-	32
\$1,000,000 Commercial Property							
<i>Effective Tax Rate</i>	1.288%	1.328%	1.385%	1.397%	1.293%	-	1.369%
<i>National Rank</i>	31	33	30	33	35	-	33
\$100,000 Industrial Property							
<i>Effective Tax Rate</i>	1.030%	1.063%	1.098%	1.110%	1.034%	-	1.111%
<i>National Rank</i>	29	29	27	28	29	-	32
\$1,000,000 Industrial Property							
<i>Effective Tax Rate</i>	1.030%	1.063%	1.098%	1.110%	1.034%	-	1.111%
<i>National Rank</i>	30	29	27	30	30	-	32

* Richfield, Utah is specified in the 2006, 2005, and 2004 studies. However, no specific city is mentioned in the 2002, 2000, 1998, and 1995 studies.

National rank is out of 53 jurisdictions including the largest city in each of the 50 states (except New York and Illinois, New York City, Chicago, and the District of Columbia)

Prepared by the Office of Legislative Research and General Counsel, September 19, 2007. Basic Data: Minnesota Taxpayer's Association, "50 State Property Tax Comparison Study" for tax years indicated.

March 1997

Vol. 5, No. 17

PROPERTY TAX RELIEF: LIMITATIONS ON PROPERTY ASSESSMENTS

By Scott Mackey

One of the major reasons voters hate property taxes is the impact of rapidly growing property values on property tax bills. This brief examines state efforts to prevent large increases in property tax bills by placing limits on the annual growth in taxable property values.

Increases in property values have played a major role in property tax revolts.

Property valuations and property tax rates (also known as mill levies) are the two factors that determine a taxpayer's property tax bill. In localities with rising property values, tax bills can increase substantially even if tax rates do not change. Local governments may receive revenue windfalls without raising tax rates, and in some cases even when lowering tax rates. The impact of valuation growth played a major role in property tax revolts in CALIFORNIA (1978), MASSACHUSETTS (1980) and OREGON (1996), and prompted SOUTH CAROLINA (1995) and UTAH (1995-96) to make significant legislative changes to prevent a run-up in property tax bills due to rising property values. The MONTANA and WASHINGTON legislatures face the same issue in the 1997 session.

One way to prevent large valuation increases is to place statutory or constitutional limits on annual increases in property valuations. Eight states now have some type of assessment limit in place. Notably, four of these states have imposed assessment limits since 1994.

Assessment limitations vary in their restrictiveness.

The limitations shown below vary in their restrictiveness. The least restrictive limit is in IOWA, where the assessment limit is applied statewide on classes of properties (residential, agricultural and commercial) rather than on individual properties. Statewide average valuation growth can mask significant variations in the appreciation of individual properties within regions and even within municipalities. Therefore, a valuation limit applied statewide to property classes may not prevent large increases in the assessments of individual properties.

Assessment Limitations

January 1997

State	Amount of Annual Limitation	What Limit Applies to	Year Adopted
Arizona	10%	Individual property	1979
California	2%	Individual property	1978
Florida	3%	Individual residential homestead property	1994
Iowa	4%	Classes of property statewide	1979
Michigan	Lower of 3% or CPI	Individual property	1994
New York	6%; 20% in 5 years	Residential property in NYC and Nassau County only	1981
	8%; 30% in 5 years	Apartments in NYC and Nassau County only	1981
Oklahoma	5%	Locally assessed real property	1996
Oregon	2%	Individual property	1996

Source: NCSL

The most restrictive limitations are in CALIFORNIA and OREGON. California's limitation, adopted by voters in 1978 as part of the famous "Proposition 13," limits the growth in taxable values of individual properties to 2 percent per year. Oregon's newly adopted measure has a similar 2 percent limit, although there are exceptions for certain voter approved expenditures. MICHIGAN's limitation was included as part of a major tax policy and education finance overhaul adopted by voters in 1994. FLORIDA's limitation applies only to residential homesteads.

Limits in California and Oregon are the most restrictive.

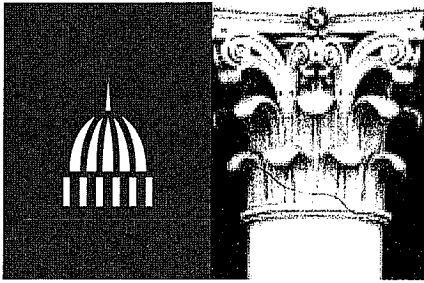
Assessment limitations are an effective way to prevent large, sudden increases in property tax bills. However, assessment limitations also raise some important policy issues:

- *Impact on local governments in states with tax rate limits.* Some states have imposed limits on property tax rates. Limiting both rates and assessments can erode the local tax base. In CALIFORNIA, for example, property taxes cannot exceed 1 percent of a property's taxable value and taxable values cannot increase by more than 2 percent annually. This limits annual revenue growth to 2 percent from existing properties.
- *Property tax shifts.* Most assessment limits apply to all properties. However, FLORIDA's limit applies only to residential homesteads. Over time, the property tax burden will be shifted to businesses and other nonresidential property owners.
- *Regional disparities.* Assessment limits provide tax relief only to property owners in areas with high growth in property values. They may provide disproportionate benefits to property owners in resort towns and in other high growth areas.
- *Interaction with school aid formulas.* In some states, the school aid formula is based upon property values. Assessment limits may artificially reduce property values in resort towns and other high growth areas. These areas may then receive more state aid than they otherwise might receive without the assessment limit. This may reduce funds available for poorer school districts.
- *Local disparities.* Low assessment limitation percentages, as in CALIFORNIA, may create significant disparities in tax burdens between new homeowners and long-time homeowners. Long-time homeowners in some California counties pay only one-fourth of the property taxes that new homeowners pay because the 2 percent annual limitation never allows taxable value to "catch up" with the market value. New homeowners' taxes, on the other hand, are based upon the purchase price and are significantly higher.
- *Housing market incentives.* Assessment limitations may create incentives for long-time homeowners to stay in their homes to avoid the tax consequences of moving.

Recent trends suggest that more states may look at assessment limitations to address voter concerns about property taxes. Legislators may want to consider these issues in the debate.

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National Conference of State Legislatures

LEGISBRIEF

BRIEFING PAPERS ON THE IMPORTANT ISSUES OF THE DAY

JANUARY 2005

VOL. 13, No. 5

The Property Tax: Key Local Revenue

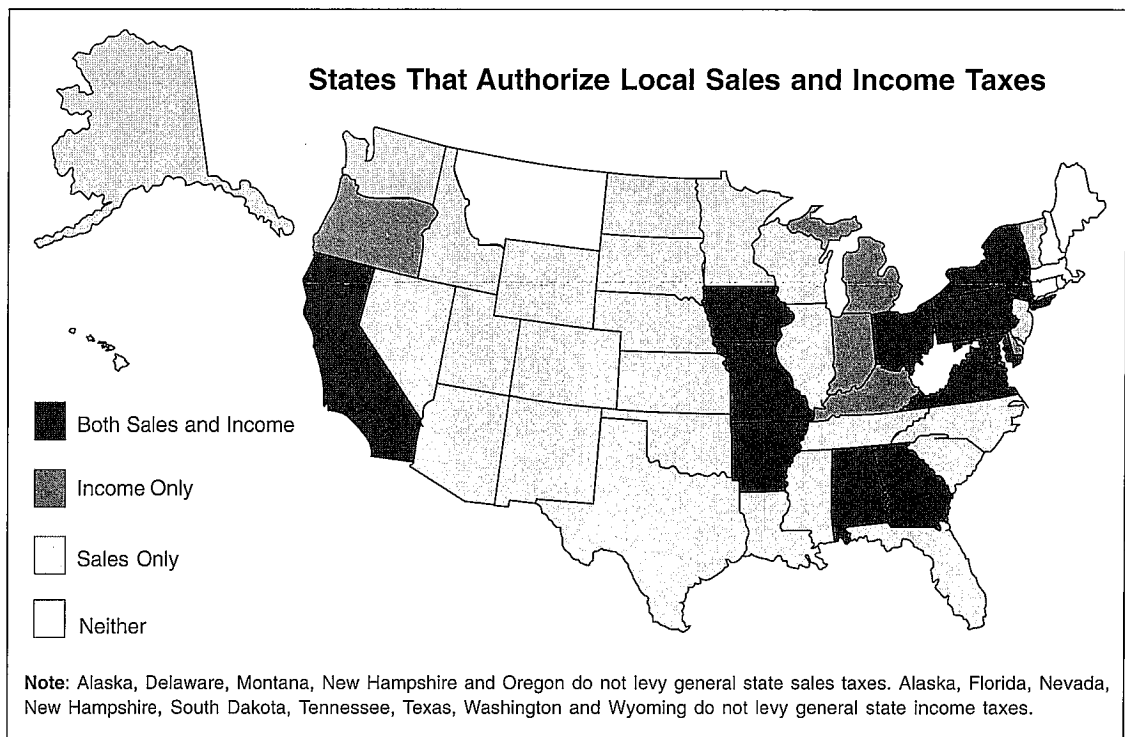
By Judy Zelio

Local governments and school districts depend on property taxes.

Other revenue sources, however, are playing an increasingly important role.

Like most states, local governments and school districts have struggled with their budgets in recent years. However, their main source of tax revenue—the property tax—has demonstrated its reliability. Even though the proportion of property taxes in state and local tax collections has steadily declined since the 1940s, local governments and school districts still depend more on property taxes than on any other revenue source. The property tax contributed 73 percent of local tax revenues and 45 percent of all local own-source revenues in 2002, according to the latest data available from the U.S. Census Bureau.

Fees and User Charges. Other revenue sources are playing an increasingly important role, though. Many local governments are authorized to impose lodging and other types of tourism taxes. Both state and local governments have expanded their use of fees and other charges targeted to specific users of services. User charges grew from 21 percent of local own-source revenue in 1980 to 26 percent in 2002.



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Sales and Income Taxes. Many local governments also have the option to levy local sales and income taxes. Nearly three-quarters of the states allow local governments to levy local sales taxes and one-third permit local personal income taxes. Local sales taxes made up about 12 percent (\$43 billion) of local tax revenues in 2002. Local income taxes contributed another 5 percent (\$20 billion).

Expanding other types of local taxes represents one method of reducing property taxes. The approach has the advantages of not burdening the state budget and maintaining a relatively high degree of local autonomy. On the other hand, there is no guarantee that the total tax burden will not increase. Local taxes reduce state control over these tax sources. They affect the extent to which state governments can tap these sources for their own purposes. And diversification alters the tax burden on residents and may lead to inter-local competition for revenues.

Expanding other types of local taxes is one way of reducing property taxes.

A number of state policymakers are considering substituting state revenues and spending for local spending financed by property taxes in order to provide property tax relief. Some have already done so. A shift away from property taxes may help reduce the regressivity of state-local tax systems (although tax specialists disagree on this point). Such a shift also might ameliorate fiscal disparities among wealthy and poor governments.

A shift away from property taxes may help reduce the regressivity of state-local tax systems.

However, sorting out governmental responsibilities for service delivery and financing becomes more complicated as lines between state and local revenues become blurred. Moreover, shifting the revenue burden to sales or income taxes may exacerbate revenue fluctuations caused by economic cycles and worsen the fiscal problems of state and local governments. These concerns highlight the fact that property tax stability has not yet lost its value.

Selected References

- Rafool, Mandy. *A Guide to Property Taxes: An Overview*. Denver: National Conference of State Legislatures, 2002.
- Zelio, Judy. *A Guide to Property Taxes: The Role of Property Taxes in State and Local Finances*. Denver: National Conference of State Legislatures, 2004.

Contact for More Information

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MEMORANDUM

TO: Members of the Utah Legislature

FROM: Michael E. Christensen, Director

DATE: August 1, 2007

SUBJECT: Property Tax Notices

You may have been contacted by constituents expressing concern over their property tax valuation notices they recently received. While property taxes are primarily controlled by local governments, you may find this information useful as you respond to questions from your constituents.

How are property taxes determined and why did they increase for some taxpayers?

- Property taxes are determined by the following formula: taxable value * property tax rate = property tax liability. If either the tax rate (actually the sum of property tax rates imposed by local governments) or the taxable value of the property changes, then the property tax also changes.
- While "truth in taxation" limits property tax revenue increases on a taxing entity level, it does not limit an individual taxpayer's property tax liability. A taxpayer's property taxes may still go up due to an increase in assessed value even though none of the taxing entities within which the taxpayer lives is participating in truth in taxation. Reasons for such an increase could include: (a) the taxpayer's property assessed value increased by a greater amount than the average of other property within the taxing entity; or (b) other property within the taxing entity decreased in assessed value. (See the next page for more information on truth in taxation.)

Why did some taxpayers experience an increase in assessed value?

- Article XIII, §1 of the Utah Constitution requires that "all tangible property . . . shall be . . . assessed at a uniform and equal rate in proportion to its fair market value . . ." The Utah State Tax Commission is required by statute to oversee the work of county assessors to ensure that property is assessed at fair market value.
- Utah has recently led the nation in home price appreciation. Between the first quarter of 2006 and the first quarter of 2007, there was a 17 percent increase statewide in home price appreciation. During that same period, home prices in Utah and Juab counties increased by 19.7 percent and increased by 19.1 percent in Salt Lake County. These two metropolitan areas were second and third highest in the nation, respectively, in home price appreciation.

What is the Legislature doing to keep property taxes as low as possible?

- The statewide effective property tax rate (property taxes paid as a percentage of fair market value) for primary residential property has decreased from .77% in 1995 to .73% in 2005. Utah ranks 36th in the nation in property taxes paid as a percentage of personal income (3.4% in the United States vs. 2.7% in Utah).

The Legislature has taken several important steps to control property taxes. First, Utah's "truth in taxation" laws preclude local governments from automatically collecting increases in property tax revenue due to increases in assessed value caused by market forces. If a local government entity wants to increase its budgeted property tax revenue above the amount that it would normally receive from new development, it must hold a public hearing. It must also send a notice about this public hearing to each property owner and provide notice in the newspaper. These notices contain the date, time, and location of this public hearing. (There are about 65 local government entities participating in this process this year. A list of these entities is enclosed.)

Second, the Legislature has decreased the minimum basic school levy by 32 percent in the last ten years including a 7.5 percent decrease approved in the 2007 General Session.

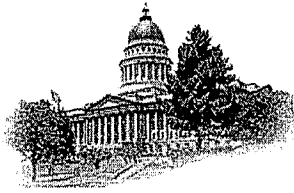
- The Legislature is working hard to help elderly taxpayers stay in their homes and alleviate their property tax burden. The Legislature has recently expanded and increased the funding for the "circuit breaker" program that helps elderly taxpayers with low incomes pay some or all of their property tax bill. The Legislature has also implemented property tax relief programs for low income persons, blind persons, and disabled veterans. (See the enclosed handout for more information.)
- The Utah Constitution allows the Legislature to exempt up to 45% of the fair market value of a primary residence from taxation. The Legislature has chosen to exempt the full 45% allowed. This means that a home used as a primary residence is only taxed on 55% of the home's fair market value.

What Additional Information Can I Give My Constituents?

- The property tax valuation notice contains important information on how to file an appeal with the county board of equalization and how to apply for assistance in paying property taxes. If your constituent happens to live within a taxing entity that is participating in truth in taxation, information including the date, time, and location of a public hearing is also printed on the valuation notice. Encourage your constituent to attend this hearing.

If we can help you in any way, please don't hesitate to contact one of the members of our tax team: Phil Dean, Bryant Howe, Angela Oakes, or Rebecca Rockwell at the above number.

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MEMORANDUM

TO: Members of the Revenue and Taxation Interim Committee

FROM: Bryant R. Howe, Assistant Director
Angela D. Oakes, Associate General Counsel

DATE: September 19, 2007

SUBJECT: Property Taxes and California's "Proposition 13"

You may have been contacted by constituents commenting on the need for a "Proposition 13" type property tax limitation law in Utah. This memo provides some background information on California's Proposition 13 and the feasibility of adopting a similar proposal in Utah.

Proposition 13: Overview and Results

Proposition 13, an amendment to the California state constitution, was adopted by California voters in 1978 with about 64 percent of the vote. Passage of the initiative was spurred by taxpayers who had been facing rising property tax bills in the prior years due largely to increasing property values. After the Legislature and Governor failed to address this problem, two California residents, Howard Jarvis and Paul Gann, began the process of collecting signatures to put the proposal on the ballot.

Proposition 13 contained the following provisions:

- Limited the property tax rate to one percent of "full cash value" except where a higher rate is necessary to pay off a previously incurred debt.
- Required property to be valued at either the property's March 1, 1975 value, the value as of date the property changes ownership, or the value as it is newly constructed.
- Limited subsequent annual inflation adjustments to two percent per year.
- Required that tax increases must be approved by 2/3 of both houses of the legislature and 2/3 of the electorate in any election to increase taxes or approve new taxes.

September 5, 2007

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Although Proposition 13 has been the subject of numerous court interpretations and legal challenges, the basic framework adopted in 1978 remains in place today.

Proposition 13 is probably one of the most widely studied and scrutinized property tax laws in the country. Significant research and debate has been conducted regarding its effects. Some of the effects of Proposition 13 include:

- **Proposition 13 has ensured tax certainty.**

One principle of a good tax system is certainty: taxpayers should be certain about the taxes they owe. No one likes to be surprised with a higher than expected tax bill. With Proposition 13, taxpayers know that their property taxes will never be more than one percent of the property's value and will never increase by more than two percent each year. In addition, taxpayers can essentially decide how much in property taxes they want to pay when they buy a home at a given price. Taxpayers can be certain about their property tax bill and they know that they will never be "taxed out" of their home. Local governments can also rely on a stable source of revenue (as long as the revenue distribution formula is not changed by the Legislature).

- **Proposition 13 has helped senior citizens and low income households.**

Under Proposition 13, a home's value for tax purposes is based its acquisition price. Homeowners who stay in the same home for a long time benefit from a stable and certain property tax. Since senior citizens and low income households are generally less mobile than other household types, these groups have especially benefitted from the tax certainty afforded by Proposition 13.

- **Local governments have lost fiscal autonomy and fiscal flexibility and must now rely on the California Legislature for some revenue sources.**

Under Proposition 13, the California Legislature, not local governments, decides how much in property tax revenue will be allocated to counties, cities, school districts, and special districts. The total property tax revenue raised within a given geographical area is distributed according to a legislative formula. When Proposition 13 was first enacted, the Legislature reduced the percent of property tax revenue going to public schools and increased the amount going to counties and cities. This was fine as long as the state had the money to replace the property tax revenue that the schools lost. But when state funding was tight, the Legislature took property tax revenue from cities and counties and gave it to schools so that state school funding could be reduced. One tax expert has noted that "by denying local governments the ability to make their own fiscal decisions, Prop 13 has tended to concentrate governmental authority at the state level."

- **Mobility has been discouraged.**

Because a home's "cash value" for property tax purposes is set at its sales price, a homeowner who sells and buys a new home will often face a large property tax increase. Studies have shown that this has limited homeowner mobility in California. Homeowners tend to stay and in place and remodel that buy a larger home. Under Proposition 13, first time homeowners, or families with growing families who seek to move to a larger home, might be at a disadvantage.

- **Horizontal equity has been eroded.**

A hallmark of sound tax policy is the principle of horizontal equity: taxpayers in similar situations should be treated the same and bear roughly the same tax burden. Under Proposition 13, a taxpayer's tax liability is no longer based on fair market value or some other objective standard. Rather, property tax liability depends on how long the property has been held. Two homes, side by side, with similar values, could have dramatically different property tax liabilities depending on when the home was purchased. One study found that "it is not uncommon to find the recent purchaser of a home paying five times as much in property taxes as their neighbor who owns an identical home." The same is true for commercial property. "New retailers in shopping mall complexes pay tax on the current price of their property, while the existing property owners get the benefit of historical values, which result in lower property tax payments, thus making competition between the business entities difficult if not downright unfair."

A "Proposition 13" for Utah?

Some taxpayers who this year are facing high increases in both assessed value and taxes owed have argued for some type of property tax limitation in Utah. What would it take to have a "Proposition 13" in Utah? What would be some its effects?

- **The Utah Constitution would have to be amended.**

Only the Legislature can begin the process to amend the state constitution. A constitutional amendment cannot be initiated by voters.

Article XIII, §1 of the Utah Constitution requires that "all tangible property . . . shall be . . . assessed at a uniform and equal rate in proportion to its fair market value . . .". Under Proposition 13, the value of a property for tax purposes is the value on the date it was acquired, not fair market value. Property would no longer be assessed at a "uniform and equal rate."

- **Utah voters have twice rejected "Proposition 13" type ballot initiatives.**

In 1980, Utah voters rejected "Proposition B" which would have implemented many of the same provisions as Proposition 13. The measure failed with 45 percent voting in favor and 55 percent voting against.

In 1988, Utah voters rejected "Initiative A" which would have limited residential property taxes to .75 percent of fair market value and non-residential property taxes to one percent of fair market value. The initiative failed with 39 percent voting in favor and 61 percent voting against.

- **If Proposition 13 were adopted in Utah, property taxes on homes would immediately increase to offset a decrease in property taxes on businesses and commercial property.**

The statewide effective property tax rate (property taxes paid as a percentage of fair market value) for primary residential property in Utah was .67% in 2006. The effective tax rate on all other types of property for that year, including business and commercial property in Utah, ranged from 1.3% to 1.09%.

A person in California who today buys a home will pay 1% of that home's fair market value in property taxes. A person in Utah who today buys a home will likely pay about .67% of that home's fair market value in property taxes, depending on where that person lives.

How Do Property Tax Amounts in Utah Compare to California?

There are several ways to compare the property tax burden between states. One way is to compare the percent of total personal income that goes to pay property taxes. Using this measure, Californians pay less in property taxes than do Utahns: 2.6% of personal income in California vs. 3.4% of personal income in Utah. (However, Californians have a higher overall state and local tax burden than do Utahns: 11.27% of personal income in California vs. 10.94% of personal income in Utah.)

Another way to compare property tax burden is to compare property taxes paid as a percent of fair market value. This is called an effective tax rate. While it is difficult to accurately compare effective tax rates between states, one study does shed some light on the subject. The Minnesota Taxpayers Association annually conducts an extensive survey of property taxes levied in each of the largest cities in all 50 states. The 2006 study shows the following:

September 5, 2007

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Type of Urban Property	Salt Lake City		Los Angeles	
	ETR *	National Rank	ETR *	National Rank
\$150,000 Home	.745%	44	1.124%	32
\$300,000 Home	.745%	45	1.52%	32
Median Value Home	.745%	45	1.165%	30
\$100,000 Commercial Property	1.312%	39	1.179%	44
\$1,000,000 Commercial Property	1.312%	40	1.179%	44

ETR = effective tax rate. Property taxes as a percent of fair market value. The national ranks is out of 53 jurisdictions including the largest city in each of the 50 states (except New York and Illinois), New York City, Chicago, and the District of Columbia.

Conclusion

We hope this information is helpful as you discuss this issue with your constituents. Please feel free to contact us if we can provide additional information.

Rising property taxes have some Utahns looking at California's Proposition 13

By Cathy McKittrick
The Salt Lake Tribune
Salt Lake Tribune

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Remember Proposition 13?

Those words, drilled into the public's consciousness in 1978, have become the rallying cry for homeowners around the state who are fed up with rising property taxes. They figure if Californians could limit the government's ability to reach into their bank accounts, then Utahns can do it, too.

"Something's gone wrong in Utah County, and now I discover it's happening all over the state," said Provo resident Paul Perry, who is working with dozens of other area homeowners to launch a Utah Proposition 13 effort.

Perry saw the assessed value of his \$245,000 home jump to \$615,000 this year.

"My 2,300-square-foot house was built in 1932. It has a roof that leaks, no basement and a garage with no electrical outlets," Perry said.

He immediately appealed the new value with the Utah County assessor and got it dropped to \$355,000.

"But I disagree with that value as well," Perry said. He plans to pay \$700 for a professional appraisal and appeal the county's revised assessment.

However, he hopes for broader tax reform statewide.

"The median homeowner is surprised at this jump in values. We're not opposed to our property being worth more, but we want to stay in our homes," Perry said. "We're thinking, 'Why isn't new growth funding the need for new services?'"

Jay Hurst, a senior citizen in North Salt Lake, saw his property-tax bill jump \$1,000 this year. An owner of California property as well, Hurst has been a fan of Proposition 13-type thinking for several years.

"That's how it started in California - citizens felt they were being abused," Hurst said, adding that thousands of Utahns are concerned enough to seek change, and petitions are circulating in many areas throughout the state.

On Ogden-Valley.blogspot.com, former California residents Larry and Sharon Zini, who now reside in Huntsville, posted their views on the good and bad of California's Proposition 13.

The good: a cap on your present property tax and only minor increases in the future, as long as you stay in your home.

The bad: inequities in taxes on identical or similar homes due to bumps in valuations when homes sell.

The overall positive effect: forcing tax-supported entities to live within a budget, the Zinis blogged.

However, a more-thorough analysis reveals a host of ill effects traceable to Proposition 13. That's the view of Peter Schrag, columnist for *The Sacramento Bee* and author of *Paradise Lost: California's Experience, America's Future*.

"It changed the whole structure of government in California," Schrag said. "It greatly reduced the ability of small local governments to control their own conditions, and it shifted that control to the state. It's been there ever since."

The citizen-drafted law also had a long-term effect on land-use decisions, Schrag reasoned. To bolster budgets, cities pursued big-box retail, malls and other beefy sales-tax producers - rather than seeking more balanced development.

"Around here it's called the 'fiscalization of land use,' " he said. "There have been all kinds of efforts to correct that, so far with no success."

Higher education and social programs also suffered in the Golden State due to Proposition 13, Schrag said.

"I'd say look very carefully before you leap," was Schrag's recommendation to Utahns pondering similar action.

Royce Van Tassell, vice president of the Utah Taxpayers Association, said that in recent weeks, his office has received many calls from residents upset over higher property taxes.

So far, the association has not taken a position on Proposition 13, but Van Tassell reasoned that legislating from the ballot box on something as complex as the tax system might not be the best solution.

Bountiful resident Ronald Mortensen, co-founder of CitizensForTaxFairness.org, agrees that duplicating Proposition 13 might not be the right fit for the Beehive State.

"I think we need a Utah solution," Mortensen said. "We need to really take a look and work with the Legislature first . . . rather than through the ballot box."

However, he said he wouldn't take Proposition 13 entirely off the table. "It's a safety valve if you can't work something out."

In the face of public outcry over sizable tax bumps in Davis County, Commissioner Bret Millburn pledged to explore alternatives with lawmakers on Capitol Hill.

"I'm open to looking at any and all options," Millburn said. "On the surface, Proposition 13 may sound good, but we need to dig deep and do a thorough analysis."

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What is Proposition 13?

In 1978, California voters approved an initiative that capped property-tax rates at 1 percent of assessed value, and also limited the rise in property valuations to no more than 2 percent per year. Only when a home sold would the valuation jump significantly to reflect the sales price.

How initiatives work in Utah

Petitioners must file an initiative application with the lieutenant governor's office, which can accept or reject. Then, seven public hearings must be held throughout the state prior to circulating petition for signatures.

Petitioners must collect 94,201 valid voter signatures statewide (10 percent of those who voted in the last gubernatorial election).

Signatures are submitted to county clerks by June 1. They will verify those who are registered voters. If the correct number of valid signatures are verified, the initiative is placed on the November general-election ballot

Source: Web site for State Elections Office, <http://elections.utah.gov>

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DESERET Morning News

Is Utah next for a cap on home tax?

By Joseph M. Dougherty
Deseret Morning News

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FARMINGTON — The shock on Bountiful resident Marva Egbert's face when she opened her property valuation in July seemed understandable.

Her property, which in 2006 had been worth \$363,000, was assessed this year at \$501,000. Her tax bill for this year is expected to be \$3,243 — \$900 more than in 2006.

Four property-tax increases and a reappraisal will do that to you.

But Egbert isn't worried about herself, she recently told county commissioners, because she has rental properties that provide an income. Instead, she's concerned about 25 widows on fixed incomes in her neighborhood, who don't know how they're going to make ends meet.

The solution, many would argue, would be for the Utah Legislature to enact a Proposition 13-type law that would cap the rate at which local governments can tax properties.

Prop. 13, as it's commonly known, was passed by 65 percent of California voters in 1978 following a wave of rising values and windfall revenues for local governments.

One of its proponents was Magna native Howard Jarvis, who, after the measure was passed, started a tax-reduction advocacy association, now known as the Howard Jarvis Taxpayers Association.

Many California residents in the 1970s felt like they were being taxed out of their homes, said David Kline, a spokesman for the Sacramento-based California Taxpayers' Association.

That's the sentiment various residents expressed when they crowded into Farmington Junior High on Aug. 9 to voice disapproval of their property taxes.

Kline said his organization didn't originally support Prop. 13 but has since changed its tune.

"We have learned that it has been very good for the state of California," Kline said. "The main reason is that it keeps people from being taxed out of their homes."

According to the Howard Jarvis Taxpayers Association, 400,000 residents in Los Angeles didn't pay their property taxes one year because they couldn't afford to and risked losing their homes.

How it works

Proposition 13 set the tax rate at 1 percent throughout California and limited tax increases to no more than 2 percent a year, according to the Howard Jarvis Web site, www.hjta.org.

But once a property is sold, it is reassessed and the new homeowner pays 1 percent a year on the purchase price of the home. The same 2 percent cap on tax increases applies.

"As a result, new buyers are always aware of what their taxes will be and know the maximum amount property taxes can increase each year for as long as they own the property," according to the Howard Jarvis Web site.

Kline, with the California Taxpayers' Association, says Prop. 13 has allowed property-tax revenue for local governments to increase an average of 7.5 percent a year over the past 29 years.

And homeowners get to stay in their homes.

Egbert said her son, who lives in San Diego, owns a \$600,000 to \$700,000 home and pays \$2,000 or so a year in property taxes.

Such stories are common.

But if he were to move to a larger home, which he wants to do, Egbert's son would be handed a \$7,000 to \$8,000 tax bill for the year.

"I know it has hindered him, and I'm sure it does a lot of people who live there," Egbert said.

Starting off in a new home with such a high tax bill could make such a move cost-prohibitive.

Kline agreed but added that someone who sold a home for \$700,000 likely would have enough equity to afford higher taxes.

"We definitely know taxes influence behavior," he said. "It's a factor. It's not the critical factor."

Gerald Prante, an economist with the Tax Foundation, based in Washington, D.C., said people have to remember there's no free lunch.

Residents have to ask themselves, "Are services worth what you're paying?" he said.

"When you restrict local governments, there is more state control over those services," Prante added.

County governments in Utah are responsible for running sheriffs' offices, operating jails and prosecuting crimes; funding health departments, public works, libraries and animal control; managing land and property documents; appraising property; and collecting taxes.

"People don't want to get rid of it once they have it," Prante said of government services.

People may like a service government provides, but they don't like high property taxes, he added.

Proposition 13 aimed to curb high taxes.

Dan Mitchell, a senior fellow at the Cato Institute, based in Washington, D.C., said, "Whatever the case, there's an argument in making sure you design it (a Utah version of Proposition 13) as well as possible."

Kline said there have been cases where local governments have increased user fees for residents when the government didn't project getting enough revenue from property taxes.

"You have to make sure government doesn't unravel the benefits," Mitchell said.

Ron Mortensen, a Bountiful resident and co-founder of CitizensForTaxFairness.org, said the solution for Utah might be Proposition 13, and it might not be. It could be some variation on the California law.

"We need to look at a Utah solution," he said. "We need to look at what makes sense in Utah."

He said people are often worried about senior citizens, and they should be, but young families may be hit extremely hard by a tax increase on top of rising property values.

"If you get hit with a \$400-a-year property-tax increase, to a young couple that's a lot of money," Mortensen said.

The current process for equalization (appealing one's property values) and truth-in-taxation works well, but only if an entire county is assessed equally every year.

Currently, in Davis County, only about one-fifth of the county is assessed each year. And that one-fifth tends to see increases tied to rising property values.

County leaders have promised they're working on a solution.

One thing's for sure, Mortensen said.

"I've never seen people so mad," he said. "People are ticked off."

He said Utahns should expect to see a citizens movement this fall to help legislators come up with solutions.

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